

# City of Rushford Village

## Revolving Loan Fund (RLF) Guidelines

(Use of 2007 Flood Loan Repayments for Business-Economic Development)

**INTRODUCTION.** These guidelines are intended to be used as the procedure for Rushford Village to follow in granting and administration of the revolving loan funds. These guidelines are subject to change at the discretion of the city council. Representatives from city council and planning commission shall act as the Project Review Committee (PRC) and shall administer the Rushford Village Revolving Loan Fund.

**PURPOSE.** The purpose of these guidelines is to provide written procedures for the processing of loans under the City of Rushford Village. The purpose of the Rushford Village Revolving Loan Fund (RLF) is to provide, if possible below market interest loans as a "gap financing" tool for business expansions, relocations, or startups that include the creation or retention of jobs. The RLF also exists to provide for improvements to upgrade the appearance and energy efficiency of commercial and industrial properties and the commercial area as a whole. Generally the purpose of the RLF is to provide for the improvement of Rushford Village's economic climate, diversifying the economic base, and providing for increased community growth.

**ELIGIBLE BORROWERS.** Applicants may be individual owners, partnerships, corporations, tenant operators, a not-for-profit institution, or contract for deed purchasers of any legitimate business whose primary place of business is located within the City of Rushford Village. An applicant cannot be a lending institution or real estate developer. Loan Fund Applicants must be unable to finance the proposed project from their own resources or through commercial credit or other Federal or State programs at reasonable rates and terms.

**CITIZEN of the UNITED STATES.** Applicants must be citizens of the United States or reside in the United States after being legally admitted for permanent residence. In the case of an organization, more than 50% of the outstanding membership or ownership must be either citizens of the United States or reside in the United States after being legally admitted for permanent residence. An organization must have a registered agent in the State of Minnesota and must be a legal/valid Minnesota business entity.

**NO INFLUENCE WITHIN THE CITY GOVERNMENT.** An applicant must, along with its principal officers (including their immediate family) hold no legal or financial interest or influence within the City Government. The City Government and its principal officers (including their immediate family) must hold no legal or financial interest or influence in the applicant.

**APPLICABLE LAWS, RULES, and REGULATIONS.** At all times, policies and procedures related to the proposed or actual approval of the RLF Project shall comply with all applicable laws, rules, and regulations.

**DOCUMENTS and DATA / DATA PRIVACY.** All applications and supporting documents shall become the property of the City, and the classification, retention, destruction, and/or disclosure of the data shall be governed by the Minnesota Data Practices Act, M.S.13.01 et.seq., and other Minnesota Statutes as appropriate.

**THIRD PARTY ASSISTANCE.** The Project Review Committee reserve the right to select and retain, at the expense of the applicant, a third party to assist in the evaluation of the proposed development project and corresponding documents and agreements.

**PERMITS and FEES.** The applicant shall pay all permits and fees normally charged by the City as part of the approval process unless otherwise approved by the City.

**REIMBURSEMENT by APPLICANT and/or DEPOSIT for PROJECTED COSTS.** Rushford Village may be reimbursed by the applicant for costs associated with contract professionals for reviewing the loan fund application, approving required documents, and executing the agreement. The applicant may be required to deposit with the City an administrative fee equal to 100% of the projected costs for such documents and agreement which will be applied to costs incurred by the City in conjunction with the proposed project. In the event such costs exceed the deposit, the applicant may be required to pay the additional costs as billed by the City.

**FULL APPLICATION REQUIREMENTS.** This information gives the Rushford Village Project Review Committee a better understanding of your company and provides them with the basic tools for an analysis of your business. The full application package shall include but is not limited to the following - Applicant may grant permission for access to information provided by applicant to his/her primary lender as partial fulfillment of these requirements:

1. Revolving Loan Fund Application
2. Application fee deposit
3. Check backgrounds and financial history of the applicant
4. Summary and Overview of Project / Business Plan Narrative
  - a. Brief history or narrative of company
  - b. Markets and marketing strategies (market research) statement
  - c. Detail intended use of capital required and written cost estimates
  - d. Personal and business references
5. Financial Projections
  - a. Monthly cash flow analysis for the next twelve (12) months
  - b. Profit and Loss Statement for the last three (3) years, the current year (within 90 days), and for three (3) future years
  - c. Balance Sheet for the last three (3) years, the current year, and for three (3) future years
6. Schedule of Business and Personal Debts
7. Statement of Collateral, a detailed listing to secure loan; evidence of marketable title for property.
8. Resume(s) and Personal Financial Statements of all Principals
9. Lender commitment letter(s) and interim loans; credit review summary or bank credit report.
10. Appraisals /Proposed Lease/Purchase Options or Agreements

**PARTICIPATION.** A minimum of fifty percent (50%) of the total project cost shall be funded privately or through a private lender. Ten percent (10%) of the total project cost shall be funded by the business owner/applicant in cash or owner equity. The remaining forty percent (40%) "gap financing" may be provided by the Rushford Village Revolving Loan Fund. The Rushford Village Loan Fund shall not exceed 50% of funds available to a maximum of \$75,000.00 per project.

**INTEREST RATE.** The interest rate shall be determined by the Rushford Village Project Review Committee and may be as low as 2%. A service fee shall be charged on the City RLF portion, as well as all fees for filing, recording, and any other closing costs, which shall be paid at loan closing by the applicant.

**TERM OF LOAN.** The Loan Review Committee shall determine length of term based on useful life of assets. No loan period shall exceed ten (10) years. A general guideline for term length is as follows:

1. Acquisition of Land                    10 year financing terms
2. Acquisition of Building            10 year financing terms
3. New Construction                    10 year financing terms
4. Machinery and Equipment        7 year financing terms
5. Building Renovation                10 year financing terms
6. Working Capital/Inventory        1-5 year financing terms

**COLLATERAL.** Each loan shall be secured by collateral adequate to safeguard the lender(s). If the RLF is the sole lender, it will take a first security interest in the assets financed. If the RLF is in partnership with another lending source, the RLF may take a subordinate interest in the assets being financed.

**PERSONAL GUARANTEES.** Personal guarantees will be required in all projects and may be collateralized with personal assets where appropriate. Hazard insurance, life insurance, and workmen's compensation are required for each loan. Loan recipients will assign as appropriate, security interests naming the Revolving Loan Fund as beneficiary. Flood insurance required in floodplain areas.

**LATE PAYMENT FEES.** The borrower will be charged four percent (4%) of the payment due of principal and/or interest if payment is not received within fifteen (15) calendar days following the due date. The late charge shall be considered unpaid if not received within thirty (30) calendar days of the missed due date for which it was imposed. Any unpaid late charge shall be added to the principal and be due as an extra payment at the end of the term.

**RECORD KEEPING, REVIEW, QUARTERLY and ANNUAL REPORTING.** Following funding of a project, periodic review, semi-annual and annual reporting will be required to meet State Standards.

**FAILURE OF APPLICANT.** Failure to abide by the City guidelines, laws, and approved plans shall result in the calling of the loan at the City's request.

**LOAN DUE.** Any RLF loans shall become immediately due and payable upon cessation of the business; sale of the business; or disposition of collateral secured by the loan documents.

**FALSIFYING INFORMATION.** Any false or fraudulent information provided in an application for the RLF constitutes grounds for summary denial of said application.

**DISCLOSURE OF PREVIOUS DEFAULTS.** Applicant will disclose and provide necessary information regarding any previous bankruptcies, judgments, tax liens, pending civil/criminal legal actions, delinquent taxes, or previous defaults under any other current or previous loan agreements. Failure to provide this information may result in the denial of the RLF application.

**ELIGIBLE TYPES OF BUSINESS / PROJECTS.** The following are eligible businesses or projects:

1. Manufacturing Assembly
2. Retail
3. Service (see ineligible businesses for exceptions)
4. Technology
5. Innovative Projects
6. Community Development Projects
7. A media business located within the community

**ELIGIBLE USES.** The following are eligible uses:

1. Business acquisitions.
2. Business construction, expansion, repair, or development.
3. Purchase of equipment, leasehold improvements, machinery or supplies
4. Pollution control and abatement and environmental fees.
5. Transportation services.
6. Startup Operating Costs and Working Capital/Inventory as long as the Equity Requirement is met by other means.
7. Feasibility Studies.
8. Hotels, motels, tourist homes, and Convention Centers
9. Tourist, Recreation or Amusement Centers

**INELIGIBLE BUSINESSES/PROJECTS and USES.** The following are ineligible.

1. Agricultural Crop / Livestock Production
2. Community antenna television services or facilities
3. Media, except a media business located within the community
4. Speculative Real Estate
5. Construction or maintenance of utilities
6. Refinance existing debt
7. Investment in or development of residential real estate

**LOAN REVIEW CRITERIA.** The Project Review Committee shall review all information which will provide decision making assistance as to the viability of business applicants. The following checklist shall be used in reviewing loan applications to determine that the proposed loan is deemed necessary or appropriate:

1. Eligibility with RLF guidelines
2. Economic benefits of the proposed project to include tax base increase and job creation or retention
3. Proposed marketing plan
4. Equity commitment
5. Leveraging of other funding
6. Management capability and skills
7. Balance sheet, profit and loss, ratio analysis
8. Repayment ability
9. Collateral and lien position
10. Credit risk of applicant
11. Insurance naming City as loss payee

**AGREEMENTS REQUIRED.** Following Council approval, the Applicant(s) shall proceed with signing of a loan agreement, promissory notes, mortgages, and/or other documents required for the loan closing. Failure of the Applicant to progress toward closing of the loan within sixty (60) days shall result in canceling the loan for the project.

**CERTIFICATE OF OCCUPANCY/PROJECT COMPLETION.** The Applicant's property shall comply with all applicable code, permit and license requirements, and shall have a current certificate of occupancy and /or project completion. Loan repayments shall be according to the amortization schedule included in the loan documents.